

Message Text

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PAGE 01 TEHRAN 01504 121947Z

22-R-11

ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 ARA-06 EA-06 AF-04 EUR-08 EB-03

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R 121300Z FEB 76

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 5577

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

USINT BAGHDAD

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILL

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

C O N F I D E N T I A L TEHRAN 1504

LIMDIS

E.O. 11652: GDS

TAGS:ENRG, IR

SUBJ: NIOC/CONSORTIUM NEGOTIATIONS

REF: (A) TEHRAN 872,(B) TEHRAN 692,(C) TEHRAN 530,(D) TEHRAN 432,
(E) TEHRAN 325,(F) 75 TEHRAN 11660,(G) 75 TEHRAN 5821

1. CONSORTIUM MEMBERS KRUGER OF EXXON, RECORD OF IRICON AND YATES
OF TESACO CALLED ON AMBASSADOR MORNING OF FEBRUARY 12 TO
REPORT ON STATUS OF THEIR NEGOTIATIONS WITH NIOC. MEMBERS HAVE
HELD TALKS WITH NIOC JANUARY 26-FEBRUARY 1(REF A) AND AGIN FEB-
RUARY 9-11. DURING FIRST PERIOD OF TALKS, MEMBERS AND NIOC
APPROACHED A SOLUTION OF ABADAN REFINERY PROBLEMS(REFS C AND
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PAGE 02 TEHRAN 01504 121947Z

E) BUT WENT IN CIRCLES ON SUCH ISSUES AS FORM OF

AGREEMENT, FEE FOR COMPANIES' TECHNICAL AND MANAGEMENT SERVICES, PRICES AND LEVEL OF LIFTINGS.

2. IN LATEST SERIES OF MEETINGS, NIOC AND MEMBERS FEBRUARY 9 RESUMED CIRCLING EACH OTHER WARILY ON SUBJECT OF PRICE OF IRANIAN HAEVY AND LEVEL OF LIFTINGS. AFTER A TIME NIOC DEMANDED RESPONSE TO A PROPOSAL THEY HAD TABLED DURING EARLIER ROUND OF TALKS. MEMBERS HAD DESCRIBED THIS PORPOSAL TO US AS HORRIBLE MISHMASH OF SHIPPING LISTS OF SEVERAL MEMBERS ON NIOC TEAM. WE DO NOT KNOW DETAILS, BUT UNDERSTAND NIOC PROPOSAL CALLS FOR (A) AN AGREEMENT CONSISTING OF THREE CONTRACTS(ONE ON ABADAN REFINERY, ON ON TECHNICAL SERVICES, AND ONE "A SIMPLE SALES CONTRACT"); (B)15CENTS PER BARREL SERCIVE FEE ON MEMBERS EXPORTS;(C) OSCO TO BECOME NIOC SUBSIDIARY AND NIOC TO PROVIDE CAPITAL;(D) FIXED LEVELS OF LIFTINGS BY MEMBERS(IF THEY FIX A LOW LEVEL NOW, THEY WOULD BE STUCK WITH THAT LEVEL EVEN IF MARKET IMPROVES). MEMBERS REPLIED TO THIS PROPOSAL BY OFFERING COUNTERPROPOSAL ON FEBRUARY 10. ON FEBRUARY 11, THEY WERE SUMMONED TO MEETING IN DR. EGHBAL'S OFFICE AT 15:30. IN PERIOD OF FIVEMINUTES EGHBAL EXPLAINED THAT HE HAD TAKEN THEIR COUNTERPROPOSALS TO SHAH, WHO OFFERED THEM TOW CHOICES: CONTINUE WITH EXISTING AGREEMENT, BUT COMPLY WITH IF FULLY(BY WHICH MEMBERS UNDERSTAND THEY EXPECTED BOTH TO CONTRIBUTE 40 PERCENT OF CAPITAL AND LIFT 100 PERCENT OF NOMINATIONS) OR ACCEPT PROPOSAL NIOC HAD OFFERED EARLIER. EGHBAL THEN ROSE, SAUD HE HOPED MEMBERS HAD ENJOYED STAY IN HIS COUNTRY, WISHED THEM A PLEASANT TRIP HOME AND SHOWED THEM TO THE DOOR. MEMBERS TOLD AMBASSADOR THEY MAY HANG AROUND A FEW DAYS TO SEE WHETHER NIOC OR SHAH MAY HAVE ANYTHING TO ADD.

3. MEMBERS OBIVOUSLY CANNOT LIVE WITH EITHER OF ONLY TWO ALTERNATIVES THEY HAVE BEEN OFFERED. THERE WOULD SEEM TO BE A LOT OF BLUFF IN SHAH'S POSITION, BUT HIS PRIDE IS INVOLVED AND THE SITUATION IS UNPREDICTABLE AND POTENTIALLY EXPLOSIVE. NIOC SOURCES TELL US SHAH IS MONITORING THESE TALKS IN UNPRECEDENTED MANNER: NIOC TEAM LEADERS HAVE HAD TO TELEPHONE HIM HOURLY TO REPORT AND RECEIVE INSTRUCTIONS.

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